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GREG GONZALES
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TO: Tennessee Industrial Loan and Thrift ("TILT") Mortgage Registrants

FROM: *GG* Greg Gonzales

RE: Legislative Update -- HB2316/SB2279

DATE: May 27, 2009

As a TILT registrant engaged in the business of making residential mortgage loans, this letter is to notify you of pending state legislation that will affect your business operations once it becomes law. HB2316/SB2279, as amended, was drafted in order to bring Tennessee into compliance with the requirements of the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("S.A.F.E. Act"). The S.A.F.E. Act requires states to, among other things, adopt the following measures:

1. License mortgage loan originators through a nationwide Internet-based system termed the Nationwide Mortgage Licensing System & Registry (or, NMLS).
2. Implement minimum licensing standards for mortgage loan originators, including:
 - No prior license revocation in any jurisdiction;
 - No conviction, guilty plea, or nolo contendere plea to any felony during the past seven (7) years;
 - No prior conviction, guilty plea or nolo contendere plea to any felony involving fraud, dishonesty, breach of trust, or money laundering;
 - Must demonstrate the financial responsibility, character, and general fitness to command the confidence of the community and to warrant a determination that the originator will operate honestly, fairly, and efficiently;
 - Must pass a pre-licensing test; and,
 - Must complete twenty (20) hours of pre-licensing education.
3. As a condition of yearly license renewal, mortgage loan originators must continue to meet the above standards and complete eight (8) hours of continuing education.
4. The sponsoring company (e.g. TILT registrant) must maintain a surety bond that is scaled based on the dollar amount of loans originated by the company.

A “mortgage loan originator” is briefly defined under the S.A.F.E. Act as any individual who for compensation or gain or in the expectation of compensation or gain: (1) takes a residential mortgage loan application, or (2) offers or negotiates terms of a residential mortgage loan. The term does not include an employee who is engaged solely as a loan processor or underwriter for the company.

The Department of Financial Institutions (DFI) has begun creating a plan to implement a new licensing regime for mortgage loan originators employed by your company using the above standards. This new licensing regime will be implemented on a gradual basis, and is expected to be fully implemented by July 31, 2010. In the coming weeks, the DFI will be mailing your company a “transition plan” to assist with coming into compliance with the new requirements. At this time, you are advised to review HB2316/SB2279 for more detail and to check the DFI website for more information: <http://www.tennessee.gov/tdfi/>.